

S.C. Department of Employment and Workforce FY 2018 Management and Trust Fund Review



***To promote and support an effective, customer-driven workforce
system that facilitates financial stability and economic prosperity
for employers, individuals and communities
-DEW Mission Statement***

January 2019

Table of Contents

Agency Mission and Vision.....	3
Employees	3
Primary Products and Services.....	4
Unemployment Insurance Division	4
Workforce and Economic Development Division	4
Business Intelligence Department	5
Policies & Procedures Department	5
Results.....	6
Workforce and Economic Development	6
Unemployment Insurance	8
Current Unemployment Compensation Fund Status	10
Recent Unemployment Compensation Fund History	10
Overview of Advances/Federal Loan	11
Solvency Standards.....	12

Review of the Administration and Operations of the S.C. Department of Employment and Workforce FY 2018

Administration and Management

Agency Mission and Vision

The S.C. Department of Employment and Workforce (DEW) continues to successfully serve the State of South Carolina in its mission is to promote and support an effective, customer-driven workforce system that facilitates financial stability and economic prosperity for employers, individuals and communities.

As the state's lead workforce development agency, our primary goals are to provide short-term economic relief to our state's valuable workforce and to ensure that jobseekers are matched with employers quickly, efficiently and effectively. DEW, one of 16 cabinet agencies for South Carolina, delivers critical assistance, support and resolution to all Unemployment Insurance (UI) stakeholders and recipients by effectively managing the integrity of South Carolina's UI Trust Fund and by providing excellent resources to our constituents through more than 12 operations centers strategically located throughout the state. These offices are an extension of our central tax and benefits departments. As a partner in the state's workforce system, that includes SC Works centers, satellite offices, and Connection Points located throughout the state's 12 local workforce development areas, DEW is also committed to meeting the needs of the state's businesses, jobseekers and those looking to further their careers.

The agency's strategic plan includes five key goals in support of this mission:

- Protect and safeguard the security, privacy and confidentiality of stakeholder data.
- Facilitate a workforce system that fosters financial stability and economic prosperity.
- Become an employer of choice in the state of South Carolina.
- Provide customer service excellence to all internal and external stakeholders.
- Achieve optimal value from available resources and funding to increase public trust.

By identifying and implementing key strategies in support of the above goals, DEW will continue to strive to meet its vision that South Carolinians will view the agency as an efficient, transparent, customer-friendly partner in providing quality workforce solutions.

Employees

In order to successfully execute the mission and goals of DEW the agency, as of June 30, 2018, had a total of 697 employees:

- 6 Unclassified Employees

- 634 Full-Time Employees
- 31 Temporary Grant Employees
- 26 Temporary Employees

These employees staff two divisions, Unemployment Insurance and Workforce and Economic Development, and several other departments that provide support to those divisions.

Primary Products and Services

Unemployment Insurance Division

Unemployment Insurance (UI) is a federal program created to financially assist eligible individuals who are unemployed through no fault of their own while they actively search for suitable work.

The program allows UI recipients to maintain purchasing power, thereby easing the serious effects of unemployment on individual households, the community and the state. In South Carolina, a UI claim can provide up to 20 weeks of benefits. The maximum weekly benefit is \$326 while the average weekly benefit amount as of June 30, 2018, was \$260.¹

Employers finance the UI program through tax contributions from businesses, and DEW is responsible for the collection, accounting and auditing functions of South Carolina's UI tax program. DEW administers the UI program according to guidelines established by the South Carolina Code of Laws, Title 41, and South Carolina Code of Regulations, Chapter 47.

Workforce and Economic Development Division

The Division of Workforce and Economic Development (WED) is responsible for the administration of federal programs that provide funding and services to assist businesses in meeting their need for skilled workers and to aid individuals in the search for work and in securing training to prepare for gainful employment.

WED collaborates with educational and economic development leaders to strengthen the state's workforce pipeline – particularly populations with barriers to employment – through facilitation of middle-skill and middle-wage attainment, creation of education and career pathways, development of one, consistently delivered soft skills competency-based curriculum, and enhancement of school-to-work transition and youth-focused programs.

WED works actively to align the state's public workforce-development resources with a customer-centered delivery system to South Carolina's businesses and jobseekers.

¹ <http://workforcesecurity.doleta.gov/unemploy/content/data.asp> 2nd Quarter 2018

Business Intelligence Department

The Business Intelligence Department (BI) integrates all of the agency's data including Labor Market Information (LMI) and performance and UI statistical reporting, into one unit with the goal to better foster partnerships across all programs.

DEW, in conjunction with the Bureau of Labor Statistics (BLS) and the Employment and Training Administration (ETA), provides a broad array of statistical data and services for use by jobseekers, employers, educators, planners, economists, students, economic developers and others. The data is presented in publications, articles, news releases, pamphlets and on the internet. Additionally special data requests are often received and fulfilled by this unit.

Examples of the types of data and services offered by the department in support of the solvency of the UI Trust Fund include the following:

- Providing employment statistics and reports tracking UI claims, claimants, dollars and balances to DEW stakeholders.
- Providing labor market research, including career pathways/ladders information, to local areas trying to steer claimants who are the Workforce Innovation and Opportunity (WIOA) participants to a rewarding, family-sustaining career path.
- Providing hands-on training to field staff (both UI and WED) on how best to utilize LMI and statistics from BI to assist customers in securing family-sustaining careers.
- Providing LMI to economic developers and employers seeking to relocate or expand in SC, ultimately increasing the state's tax base and improving the UI trust fund bottom line.
- Reporting of potentially fraudulent activities.
- Developing and delivering "as needed" reports to the agency director and leadership staff to track changes in trust fund related data.

Policies & Procedures Department

The Policies & Procedures Department is responsible for fulfilling performance and reporting requirements for workforce programs under WIOA.

Results

Workforce and Economic Development

In PY 2017, the WIOA core partners, represented by DEW, the S.C. Department of Education's Office of Adult Education, the S.C. Commission for the Blind, the S.C. Vocational Rehabilitation Department and the S.C. Department of Social Services, worked together to modify the Unified State Plan. The approach that the core partners took to make modifications was to create a more system-focused plan by incorporating the vision, objectives and strategies outlined in the 2017-2020 State Workforce Development Board's (SWDB) strategic plan, *Strategies to Build a Competitive Workforce*. Additionally, the economic and workforce analysis from the Unified Plan was updated with current data, and activities and initiatives were aligned to specific objectives and strategies, instead of partner programs.

Each strategy in the SWDB strategic plan is aligned to the appropriate SWDB committee and each committee maintains an action plan that identifies the method and timeline for executing each strategy. Committee action plans are evaluated no less than quarterly. Because of the alignment between the strategic plan and the WIOA state plan, progress at the committee level also indicates progress toward achieving the state's vision, objectives and strategies. A careful review of both plans showed that progress has been made; not just among the core partner group, but across the state, towards achieving the shared vision of building a skilled talent pipeline.

The SWDB initiatives represent the continued development of a cohesive, collaborative and innovative workforce system to address the workforce skills gaps. Through competitive grant applications, DEW administered grants that provided businesses access to Incumbent Worker Training, and jobseekers, particularly those who face barriers to employment, access to transportation for employment and training needs, digital literacy training, and training in high-demand occupations.

Continuing to foster sector strategies, WED worked closely with state education and economic development partners to produce workforce supply gap analyses and an initial asset map of federal and state resources for employment and training services for more strategic investments in workforce training. Partnerships were formed with business and industry leaders which will be the platform to the formation of Career Pathways.

Understanding that workforce development strategies must be business-driven, WED continued to focus efforts on business engagement. Through a collaborative effort between DEW, the Department of Education's Office of Adult Education, the Commission for the Blind, the Vocational Rehabilitation Department and the Department of Commerce, more than 15,000 South Carolina businesses received workforce services.

Simultaneously, WED focused on assisting South Carolinians who face the greatest barriers to employment, enter or re-enter the workforce. The Back to Work program helps homeless individuals enter the workforce through an intensive six-week employment boot camp. Year over year, this program has seen exponential success in helping formerly homeless individuals prepare for and find employment to gain independence. In 2017, the program expanded to Greenville and in the first part of 2018, building on the success of Columbia and Greenville, program sites grew by 200 percent by adding four new locations. This program provides a combination of transitioning participants to housing, as well as the necessary career guidance and soft skills training to maintain gainful employment and self-sufficiency, which creates a comprehensive approach for long-term success. Sixty-four percent of program completers are employed or in training.

The Second Chance initiative was created to help returning citizens learn a skill and understand how to successfully search for a job. By helping individuals prepare for employment, they gain confidence, purpose and direction, helping to reduce the rate of recidivism. Through this initiative, DEW provides a full-time employee, coaching and materials to assist returning citizens in work-skills training. Ninety days prior to release, ex-offenders are taught employment and soft skills in class for one hour each day. During the last 30 days, participants work directly with a DEW counselor to become registered in SCWOS, in order to craft a resume and apply for jobs online once they are released. A critical component of the success of this initiative is DEW's Federal Bonding Program and the Work Opportunity Tax Credit for which participants are equipped to discuss with employers. These programs give businesses the tools to confidently employ this underutilized workforce. Sixty-seven percent of program completers are employed.

By implementing innovative workforce models, investing in training that address the skills needs for the high-demand occupations, and aligning strategies among education and workforce stakeholders, WED **exceeded all negotiated performance** indicators.

Table 1: WED Program Performance Outcomes

Performance Measure	Group	Goal	% of Goal	Actual
Employment Rate Q2	Adults	73.1	107.5%	78.6
Employment Rate Q4	Adults	70.8	112.1%	79.4
Median Earnings	Adults	4,628	120.6%	5,581
Credential Rate	Adults	51.0	141.4%	72.1
Measurable Skill Gains	Adults	N/A	N/A	42.3
Employment Rate Q2	DW	79.3	106.6%	84.5
Employment Rate Q4	DW	75.0	111.9%	83.9
Median Earnings	DW	6,100	116.1%	7,084
Credential Rate	DW	54.4	141.4%	76.9
Measurable Skill Gains	DW	N/A	N/A	31.3
Employment, Education or Training Placement Rate Q2	Youth	75.1	105.6%	79.3
Employment, Education or Training Placement Rate Q4	Youth	67.6	117.0%	79.1
Median Earnings	Youth	N/A	N/A	3,279
Credential Rate	Youth	68.1	106.9%	72.8
Measurable Skill Gains	Youth	N/A	N/A	49.2
Employment Q2	WP	64.0	111.9%	71.6
Employment Q4	WP	66.0	108.0%	71.3
Median Earnings	WP	\$4,405	102.0%	4492.0
Employment Q2	VETS	N/A	N/A	61.1%
Employment Q4	VETS	N/A	N/A	62.0%
Median Earnings	VETS	N/A	N/A	\$5,719

Unemployment Insurance

The economic recovery in the state continued to bring the number of new claims for UI down to pre-recession levels. While the total number of weeks claimed increased some in FY 2018 compared to FY 2017, the amount of unemployment compensation paid remained relatively flat. The division was able to achieve many of its federal timeliness and quality goals. DEW was able to maintain these goals despite a steady decline in funding and without additional layoffs. The total initial claims filed and total number of weeks claimed for the past six fiscal years are shown in the table below.

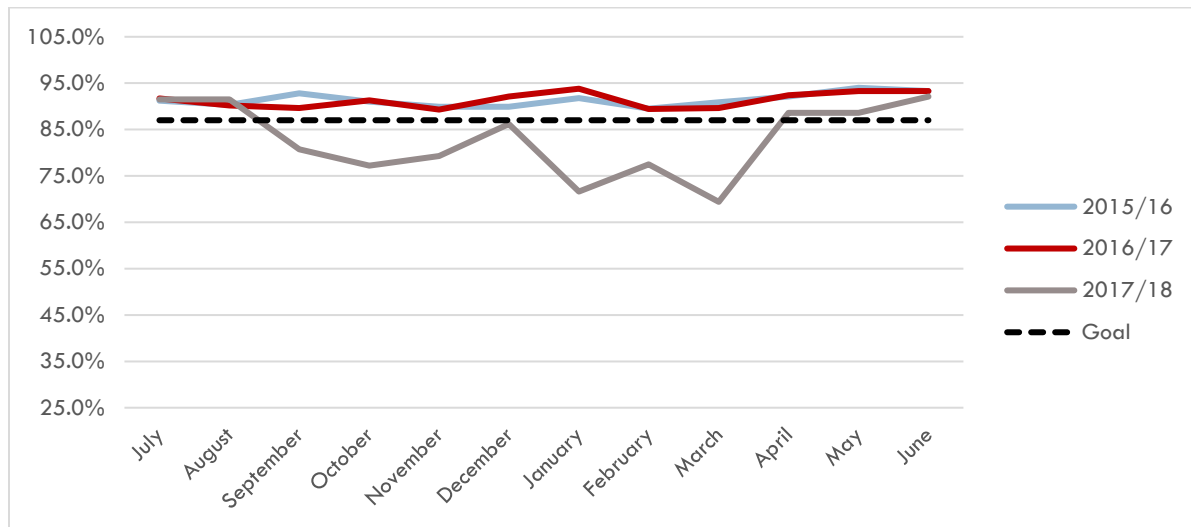
Table 2: Unemployment Insurance Workload, FY 2013-FY 2018²

Time Period	Total Initial Claims	Total Weeks Claimed
July 2012-June 2013	257,244	1,628,978
July 2013-June 2014	222,801	1,291,119
July 2014-June 2015	178,990	912,060
July 2015-June 2016	169,757	850,188
July 2016-June 2017	142,395	773,806
July 2017-June 2018	138,452	852,832

² Source: DOL Data Summary <http://workforcesecurity.doleta.gov/unemploy/content/data.asp> (excludes federally funded Emergency Unemployment Compensation claims) 2nd quarter 2018

The US Department of Labor (DOL) has a goal that 87 percent or more of all eligible unemployment claims be paid within 21 days of the claim effective date. As reflected in the below chart, over the past three years, the agency has consistently met this “time lapse” measure due to a declining workload in combination with business process improvements. The transition to the modernized benefits system in late 2017 contributed to some variability in program performance, but recent months show a return to the long-run trend of meeting DOL’s goal for timely benefit payments.

Figure 1: UI Benefit Timeliness³



³ <https://workforcesecurity.doleta.gov/unemploy/btq.asp>

Unemployment Insurance Trust Fund

Current Unemployment Compensation Fund Status

The unadjusted UI Trust Fund balance as of June 30, 2018 was \$870,154,660⁴. No federal advances (i.e., the loans) were needed to pay state UI benefits during FY 2018. All advances from the federal government were repaid as of June 11, 2015.

Recent Unemployment Compensation Fund History

Historical data of the principal components of the state Unemployment Trust Fund are outlined in the table below.

Table 3: Unemployment Compensation Fund Components, FY 2014-2018⁵

Component	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Contributions	486,539,699	428,886,783	401,286,923	354,500,373	322,013,056
Earned Interest	Interest not earned while Fund is in Debt Status		7,192,500	12,208,042	16,935,578
Benefits	231,775,670	193,065,875	170,111,356	171,037,281	171,724,192
Fund Balance	311,662,005	175,177,167	461,637,676	678,148,439	870,154,660
Total Wages	58.5 billion	61.6 billion	65.4 billion	69.9 billion	72.6 billion

Note: Certain adjustments have been made to correctly carry forward prior year balance.

The components of the Trust Fund are defined as follows:

- Contributions – Contributions received from employers as of June 30th each year.
- Interest – Federal Treasury interest posted to each state's Trust Fund account quarterly.⁶
- Benefits – State funded benefit payments less benefit overpayment recoveries.
- Fund Balance – Unadjusted Trust Fund balance.
- Total Wages – Total covered payroll wages reported by all covered employers for the period beginning July 1st and ending June 30th.

⁴ Treasury Direct Account Statement: Jun 2018

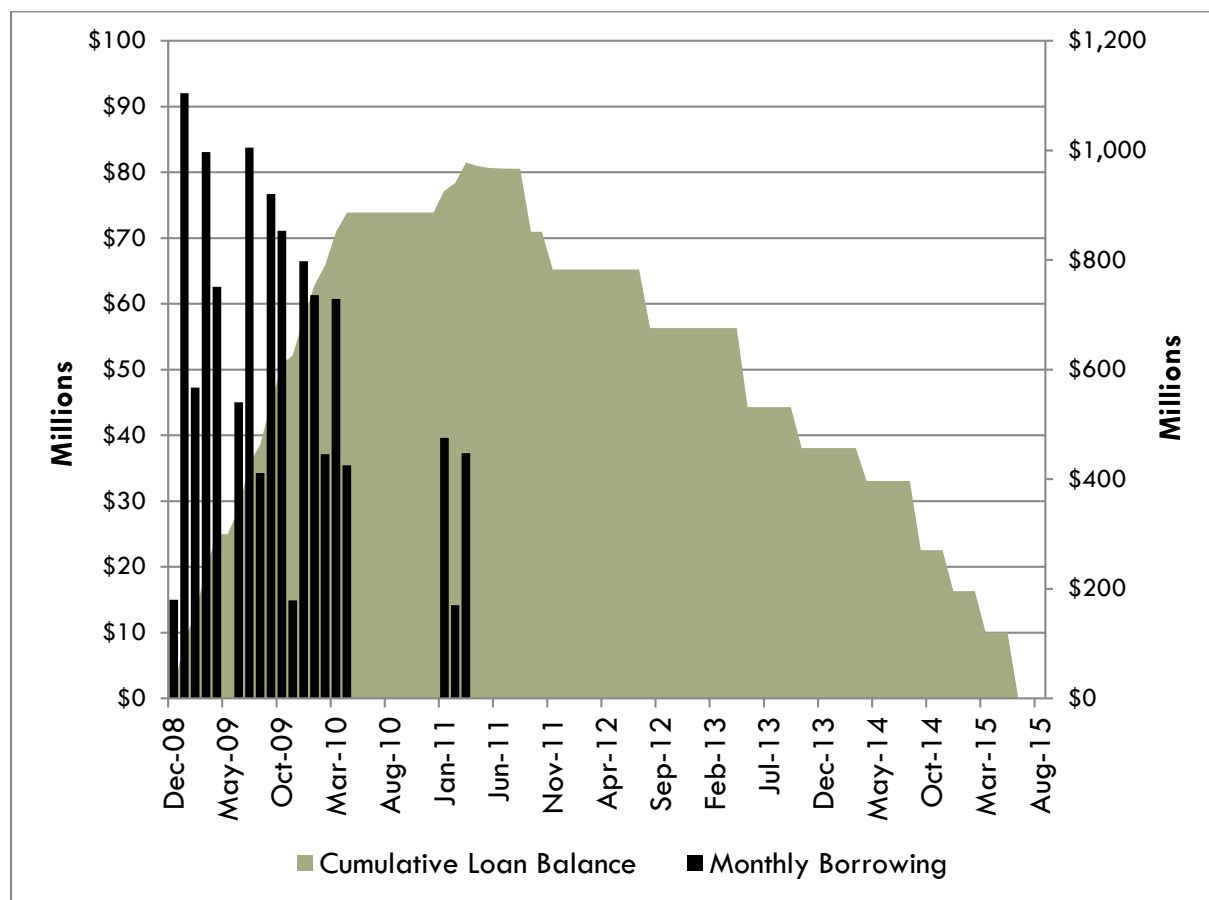
⁵ By state fiscal year; **not** cumulative.

⁶ No interest is due to the state Trust Fund account from the Federal Treasury when a state owes the federal government money.

Overview of Advances/Federal Loan

The UI Trust Fund became insolvent in December 2008 and was required to draw significant federal unemployment advances between December 2008 and April 2010. Additional federal advances were required between January and April 2011. Figure 2 shows the borrowing by month since December 2008. An improvement in the economy, higher than anticipated contributions in the last half of FY 2010, a one-time infusion of incentive funding from the federal Department of Labor, and the revised tax structure have all combined to allow the trust fund to reduce borrowing between April 2010 and April 2011. Since April 2011, no additional federal loans have been necessary to fund the benefit payments.

Figure 2: Monthly and Cumulative Advance Balance, December 2008 – September 2015



Solvency Standards

South Carolina has adopted the most widely accepted measure of trust fund solvency, known as the Average High Cost Multiple (AHCM). See S.C. Code Ann. § 41-31-45(A). This measure of whether a state has enough money to cover unemployment claims during an economic downturn was devised in 1995 by the federal Advisory Council on Unemployment Compensation.

The AHCM is calculated by taking the trust fund balance as a percent of estimated wages for the most recent 12 months (also known as the reserve ratio) and dividing it by the Average High Cost Rate, which is the average of the three highest calendar year benefit cost rates in the last 20 years or a period including three recessions, whichever is longer. Benefit cost rates are benefits paid as a percent of total wages in taxable employment.

The S.C. General Assembly has adopted the Department of Labor's recommendation that a state have an AHCM of 1.0, which means that the state has enough funds to pay one year of benefits at the Average High Cost. This should be sufficient to fund benefits during a moderate recession. Pursuant to state law, the agency promulgated new regulations, 47-500 and 47-501, to return the trust fund to an adequate balance within five years. As of June 30, 2018, the state trust fund on deposit with the U.S. Treasury had a positive, unadjusted balance of \$870.21 million.⁷

Table 4 shows South Carolina's three highest benefit cost rate years, the state's actual (or projected) total wages, and the trust fund balance that would be required to achieve the recommended solvency level of 1.0.

Table 4: Solvency Standards and Projections⁸

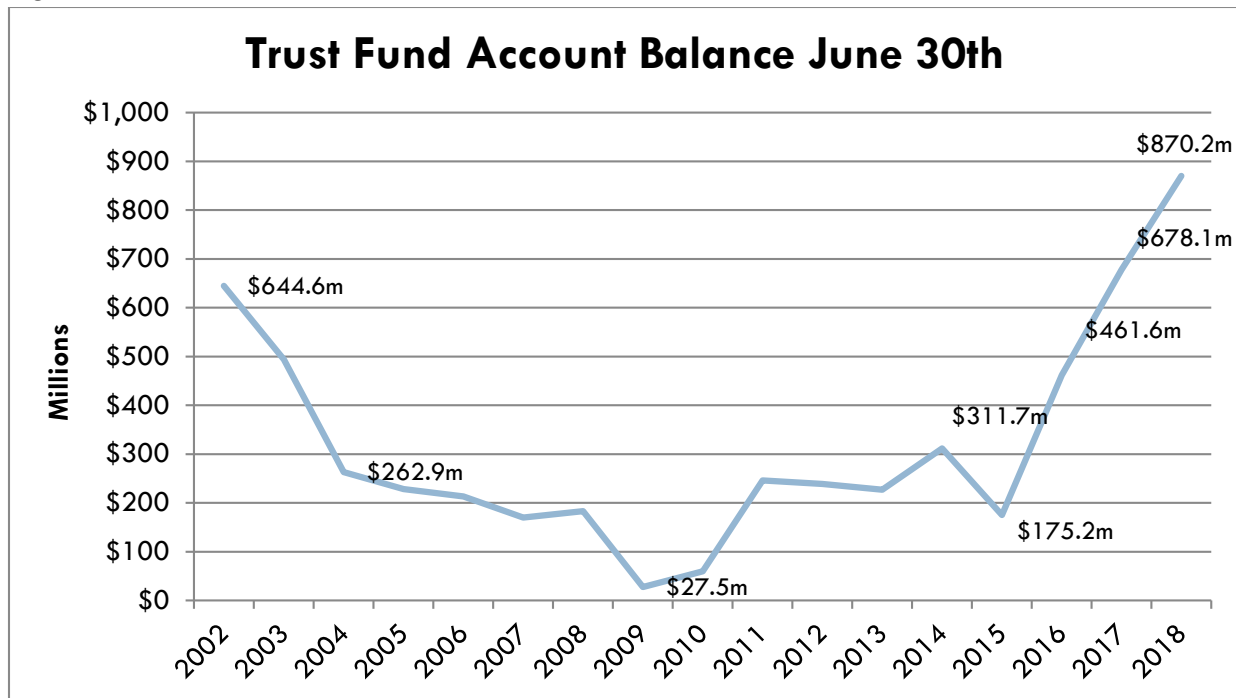
Calendar Year	High Cost Years	Average High Cost Rate	Total Wages⁹ years prior (billions\$)	Target Balance (AHCM=1.0) (millions\$)
2013	1991, 2009, 2010	1.30	\$52.8	\$689.3
2014	1991, 2009, 2010	1.30	\$55.1	\$718.6
2015	1991, 2009, 2010	1.30	\$57.0	\$743.7
2016	1991, 2009, 2010	1.30	\$60.2	\$785.3
2017	1991, 2009, 2010	1.30	\$63.9	\$834.2
2018	1991, 2009, 2010	1.30	\$67.3	\$877.7
2019	1991, 2009, 2010	1.30	\$71.1	\$928.2
2020	1991, 2009, 2010	1.30	\$74.0	\$965.3
2021	1991, 2009, 2010	1.30	\$77.0	\$1,003.9

Projections in italics

⁷ Treasury Direct Account Statement: Jun 2018

⁸ US Department of Labor: Financial Handbook 394 and Agency calculations

⁹ Assumes 4 percent wage growth 2016 through 2021. The wages are based on calendar year data.

Figure 3: UI Trust Fund Balance as of June 30th, 2002-2017

The Trust Fund balance as of June 30, 2018, does not include any outstanding loans because they were repaid in full on June 11, 2015. The timing of the last loan payment accounts for the lower trust fund total in 2015 compared to 2014. This repayment was in accordance with the five-year plan adopted by the General Assembly in 2010. Tax year 2016 was the beginning of another five-year plan to build the Trust Fund to a level that is considered adequate to withstand a moderate recession. Benefit payments continue to remain at historic lows as the state's economy has continued to recover and expand.